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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
ACDA-12 TRSE-00 COME-00 EB-08 SIL-01 LAB-04 HA-05
/091 W
----------053846 162255Z /70
P R 161812Z FEB 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 672
INFO AMCONSUL FLORENCE
AMEMBASSY BONN
AMCONSUL GENOA
AMEMBASSY LONDON
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL PALERMO
AMEMBASSY PARIS
AMCONSUL TRIESTE POUCH
AMCONSUL TURIN POUCH
USDOCOSOUTH
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C O N F I D E N T I A L SECTION 1 OF 2 ROME 3069

USDOCOSOUTH FOR INTAF

E.O. 11652: GDS
TAGS: PFOR, IT, PINT
SUBJ: ANDREOTTI UNVEILS PROPOSALS FOR GOVERNMENT AND PROGRAM

1. SUMMARY:

ON FEBRUARY 15 PRIME MINISTER-DESIGNATE ANDREOTTI DISTRIBUTED TO THE POLITICAL PARTIES A 49 PAGE DOCUMENT OUTLINING HIS PROPOSALS FOR A GOVERNMENT AND ITS PROGRAM. THE POLITICAL FORMAT OF THE PROPOSED GOVERNMENT WOULD INCLUDE INTER-PARTY
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APPROVAL OF THE PROGRAM BEFORE FORMATION OF THE GOVERNMENT; A POSTIVE VOTE OF CONFIDENCE FROM ALL PARTIES SUPPORTING THE PROGRAM; A COMMITMENT BY SUPPORTING PARTIES TO CARRY OUT THE PROGRAM; AND FREQUENT CONSULTATIONS WITH PARTY LEADERS TO ENSURE IMPLEMENTATION OF THE PROGRAM. THE PREVIOUSLY MENTIONED "PARLIAMENTARY CONTROL COMMISSION" HAS BEEN DROPPED, AT LEAST FORMALLY,

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AND ANDREOTTI EXPRESSLY AVOIDS LIMITING TH LIFE OF
HIS GOVERNMENT TO THE END OF 1978, AS EARLIER SUGGESTED. THE
PROGRAM ITSELF CONCENTRATES ON ECONOMIC AND PUBLIC ORDER
MEASURES, BUT ALSO SPELLS OUT IN GENERAL TERMS GOI'S COMMIT-
MENT TO THE ATLANTIC ALLIANCE AND THE EUROPEAN COMMUNITY,
AND ENUMERATES A NUMBER OF OTHER IMPORTANT
DOMESTIC ISSUES (E.G. ABORTION). END SUMMARY.

2. ON FEBRUARY 15, ANDREOTTI DISTRIBUTED TO THE
SIX PARTIES OF LAST JULY'S PROGRAM AGREEMENT HIS PRO-
POSALS FOR THE STRUCTURE OF A NEW GOVERNMENT AND ITS
LEGISLATIVE PROGRAM. THE ORIGINAL OF HIS DOCUMENT IS
NOT YET AVAILABLE TO THE EMBASSY. THE FOLLOWING SUMMARY
IS TAKEN FROM THE DC'S NEWSPAPER, IL POPOLO, AND SHOULD
THEREFORE BE AUTHORITATIVE.

3. IN A LONG POLITICAL PREAMBLE, ANDREOTTI STATES
THT IT IS NECESSARY "TO DISTINGUISH WITH PRECISION
AMONG PROPOSALS OF ALLIANCE, OF COALITION, AND OF
GENERAL POLITICAL MAJORITIES FROM (HIS) PORPOSAL FOR
A SERIOUS AGREEMENT ON A PROGRAM AND THE CLOSE (POLITICAL)
COLLABORATION NEEDED TO CARRY IT OUT" WHICH ANDREOTTI
BELIEVE IS NECESSARY TO MEET THE PROBLEMS OF THE
CURRENT EMERGENCY IN ITALY. TO ACHIEVE THAT AGREEMENT
HE OUTLINES FOUR POINTS:

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A) THE PROGRAM MUST BE DISCUSSED AMONG AND APPROVED
BY THE "POLITICAL GROUPS" BEFORE THE FORMATION OF THE
GOVERNMENT (CONTRARY TO THE PROCEDURE FOLLOWED WHEN THE
LAST ANDREOTTI GOVERNMENT WAS FORMED IN AUGUST, 1976).

B) THE PRIME MINISTER-DESIGNATE WILL CONSULT THE
POLITICAL GROUPS ON THE "OBJECTIVE STRUCTURE" OF THE
CABINET IN ORDER TO GIVE IT THE MAXIMUM CAPABILITY FOR
CARRYING OUT THE AGREED PROGRAM.

C) THE GOVERNMENT WILL ASK A VOTE OF CONFIDENCE
FROM THE POLITICAL GROUPS THAT HAVE AGREED ON THE
PROGRAM DOCUMENT.

D)THE POLITICAL GROUPS WILL COMMIT THEMSELVES
TO THE IMPLEMENTATION OF THE AGREED PROGRAM. TO FACILI-
TATE THIS THERE WILL BE FREQUENT CONSULTATIONS BETWEEN
THE PRIME MINISTER AND THE LEADERS OF THE POLITICAL
GROUPS THAT SUPPORT THE GOVERNMENT.

4. WITH REGARD TO THE PROPOSED PROGRAM ANDREOTTI
STATES THAT HE HAS TRIED TO AFFECT A PROPER BALANCE

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BETWEEN THE IMMEDIATE AND URGENT PROBLEMS AND OTHERS
THT INEVITABLY GO BEYOND THE CALENDAR YEAR 1978.

5. IN THE AREA OF FOREIGN POLICY, ANDREOTTI REAFFIRMS
THE BASIC IMPORTANCE OF THE ATLANTIC ALLIANCE AND THE
COMMITMENTS TO THE EUROPEAN COMMUNITY. HE STATED THAT
ITALY WOULD CONTINUE TO COLLABORATE ON INITIATIVES FOR
DISARMAMENT, FOR EUROPEAN SECURITY, FOR PEACE IN THE
MEDITERRANEAN, FOR THE ELIMINATION OF OTHER SOURCES OF
WAR, AND FOR AID OT UNDER-DEVELOPED COUNTRIES.

6. ON THE QUESTION OF PUBLIC ORDER ANDREOTTI CALLS
FOR AVOIDANCE OF DEMILITARIZATION AND UNIONIZATION
OF THE BULK OF THE POLICE FORCES. HE DOES NOT RULE
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OUT AN IN-HOUSE "UNION" BUT SPECIFIES THAT ITS OFFICERS
SHOULD BE POLICEMEN ON ACTIVE DUTY AND THAT THE UNION
SHOULD NOT HAVE NAY TIES WITH OTHER LABOR UNION ORGANIZA-
TIONS. THE RIGHT TO STRIKE WOULD BE DENIED. ANDREOTTI
WOULD ALSO COMMIT HIS GOVERNMENT TO STRENGTHENING OF THE
INTERNAL SECURITY FORCES AND TO ACTION WHICH WOULD MAKE
THE REFERENDUM ON THE "LEGGE REALE" (AUTHORITY TO ARREST
WITHOUT WARRANT) UNNECESSARY.

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7. ON ECONOMIC SIDE DC PROGRAM, AFTER AMBIGUOUS INTRODUCTION WHICH CONTAINS REFERENCE TO ROLE OF LABOR UNIONS BUT NO SPECIFICS ON PROBLEM OF COST OF LABOR, PROCEEDS TO DESCRIPTION OF TWO-PRONGED STRATEGY:

A) PROGRESSIVE REDUCTION IN PUBLIC SECTOR DEFICIT AS PERCENTAGE OF GDP (BY 3-4 POINTS OVER FOUR YEARS), THROUGH COMBINATION OF REDUCED EXPENDITURES AND IN-CREASED REVENUES. PROGRAM CALLS FOR GROWTH IN FISCAL PRESSURE EQUAL TO 1.2-2 PERCENT ANNUALLY (UNCLUDING TARIFF
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INCREASES) WHILE MAINTAINING INCIDENCE OF EXPENDITURES ON GDP CONSTANT.

B) RECOVERY OF VITALITY AND COMPETITIVENESS OF RPODUCTIVE SYSTEM AND EFFICIENCY OF BUSINESSES. PROGRAM FORESEES THAT REVITALIZATION OF INVESTMENT AND RELAXATION OF BALANCE OF PAYMENTS CONSTRAINTS WILL ENLARGE PRODUCTIVE AND EMPLOYMENT BASE. TO THIS END, UNIT COST OF LABOR PER PRODUCT SHOULD REMAIN MORE IN LINE WITH THOSE OF EC COUNTRIES AND ANNUAL INCREASE SHOULD BE LESS THAN GDP TO LEAVE SPACE FOR ADEQUATE INVESTMENT. UNDER THESE CONDITIONS, PROGRAM CALLS FOR SOME REDUCTION IN EXTERNAL DEBT AND GDP GROWTH BY END 1978 ABOVE 4 PERCENT ANNUAL RATE.

8. MEASURES DESIGNED TO ACHIEVE THESE GOALS ARE DIVIDED INTO THREE CATEGORIES:

A. PUBLIC SPENDING (BASED ON ASSUMPTION OF HOLDING PUBLIC DEFICIT IN 1978 TO 24,00 BILLION LIRE)
(1) EXPENDITURES: PROGRAM CALLS FOR SPECIFIC CHANGES IN PENSION SYSTEM, AND GENERAL CHANGES IN HEALTH CARE. IT CALLS FOR A LOCAL GOVERNMENT FINANCE CEILING OF 13,500 BILLION LIRE IN 1978.
(II) REVENUE: INCREASES IN TAX RATES OF UPPER-

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LEVEL PERSONAL INCOME AND SOME INDIRECT TAXES, FOR A
TOTAL OF 3,000 BILLION LIRE IN 1978.

B) PUBLIC TARIFFS. PROGRAM PROPOSES INCREASE IN
ELECTRICITY, RAILROAD AND SERVICE ENTERPRISES RATES
TOTALLING 1,000 BILLION LIRE.

C) STATE ENTERPRISES. THIS IS THE LEAST SPECIFIC
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OF THE SECTIONS, CONSISTING, IN ESSENCE, OF HORTATORY
LANGUAGE CALLING FOR INCREASED EFFICIENCY AND
SOLUTIONS TO THE "NATIONAL CRISIS" IN CHEMICAL SECTOR.

9. COMMENT. SOME OF THE ECONOMIC MEASURES DESCRIBED ARE
CERTAINLY MORE SPECIFIC THAN OTHERS. THE PROBLEM
OF LABOR COST INCREASES HAS BEEN LEFT IN THE LAPS OF
THE UNIONS AND INDUSTRY WITH THE GOVERNMENT SOMETHING
OF A SHADOW OBSERVER. THE SPECIFICS ON PENSION
REFORM, IF AGREED UPON, SHOULD GO FAR TOWARDS PUTTING
THE NATIONAL PENSION SYSTEM BACK IN BALANCE WHILE
REMOVING THE MOST OBVIOUS FLAGRANCIES. PERSONAL INCOME
TAX INCREASES WILL NOT BE WELCOME ESPECIALLY IF WAGE
INCREASES ARE INDEED HELD DOWN AND COULD BE SOMEWHAT
DEFLATIONARY. IN GENERAL THE ECONOMIC PROGRAM SEEMS
DISAPPOINTING PRIMARILY BECAUSE OF THE FEW SPECIFICS
WHICH WOULD ADDRESS THE STRUCTURAL PROBLEMS.

10. DESPITE ANDREOTTI'S STRONG AFFIRMATION
THAT HIS PROPOSALS DO NOT CONSTITUTE A "POLITICAL
ALLIANCE" OR "PARLIAMENTARY MAJORITY" WITH THE
COMMUNISTS, THE SUBSTANCE OF HIS PROPOSALS APPEAR TO
DO JUST THAT. THEY CALL FOR A PCI AFFIRMATIVE VOTE OF
CONFIDENCE, AND PCI AGREEMENT ON THE GOVERNMENT'S
PROGRAM WHICH APPEARS BROAD ENOUGH TO COVER MOST MAJOR
AREAS OF DOMESTIC AND FOREIGN POLICY. THE ABSENCE OF
A FORMAL PARLIAMENTARY CONTROL COMMISSION (BACAUSE
OF DOUBTS AS TO ITS CONSTITUTIONALITY) TO SUPERVISE
A STRICTLY LIMITED PROGRAM TO DEAL WITH THE ECONOMIC
AND PUBLIC ORDER EMERGENCIES AND ANDREOTTI'S AVOIDANCE
OF ANY TIME LIMITATION ON THE LIFE ON HIS PROPOSED
GOVERNMENT ALSO TEND TO REINFORCE THE IMPRESSION THAT
IT REPRESENTS AN ATTEMPT TO PUT TOGETHER A GENERAL
POLITICAL MAJORITY FOR A GOVERNMENT THAT WILL LAST
INDEFINITELY. AT LEAST, IT IS BEING SO INTERPRETED
BY MANY IN THE DC (E.G., THE GROUP OF 100), WHO ARE
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ALSO CONCERNED AT THE LACK OF DETAILED, RIGOROUS AUSTERITY PROGRAM TO MEET THE NEEDS OF THE ECONOMIC EMERGENCY.

11. WHILE ONLY PRELIMINARY REACTIONS ARE AVAILABLE FROM THE POLITICAL PARTIES, OUR IMPRESSION IS THAT THE NEGOTIATING PROCESS IS FAR FROM FINISHED. THERE ARE INCREASINGLY FREQUENT COMMENTS TO THE EFFECT THAT ANDREOTTI'S EFFORTS MAY FAIL. THE PCI HAS NOT YET REACTED; IT IS HAVING A DIRECTORATE MEETING TODAY. LARGE NUMBERS OF THE DC DEPUTIES AND SENATORS WILL FIND THE POLITICAL FORMAT UNWELCOME, BUT WHAT THEY WILL DO IF FACED WITH A CHOICE BETWEEN THE ANDREOTTI FORMULA AND ELECTIONS IS UNCLEAR. IN SHORT, WE ARE INCLINED TO AGREE WITH ZACCAGNINI'S COMMENT TO THE AMBASSADOR THAT AT LEAST SEVERAL MORE WEEKS WILL BE REQUIRED BEFORE ANDREOTTI CAN HOPE TO HAVE IT ALL PUT TOGETHER -- AND EVEN THEN THE OUTCOME IS UNCERTAIN. GARDNER

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SAS ID: 3571730
Secure: OPEN
Status: NATIVE
Subject: ANDREOTTI UNVEILS PROPOSALS FOR GOVERNMENT AND PROGRAM
TAGS: PFOR, PINT, IT
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